Financial Transactions and Reports Analysis Centre of Canada

2011–12

Departmental Performance Report

The Honourable James M. Flaherty
Minister of Finance

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Director's Message

As Acting Director, I am pleased to present the Departmental Performance Report for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for 2011-12.

FINTRAC is Canada's financial intelligence agency and plays a critical role in combatting money laundering and terrorist financing. Our financial intelligence disclosures and strategic intelligence products are a valuable resource for law enforcement agencies and government partners. We have a unique ability to follow the criminal money trail across the country and around the world. In 2011-12, the value of FINTRAC's disclosures and assistance was recognized in several police investigations that led to criminal charges; moreover, the Canadian Association of Chiefs of Police publically commended FINTRAC as a valuable source of relevant and timely information. Our strategic intelligence served to inform government policy and decision makers, and has been praised for its insights into trends in money laundering and terrorist financing.

We also placed great emphasis on compliance activities intended to both facilitate and assess reporting entities' compliance with the law. During the year, we increased the number of examinations we carry out with respect to the individuals and businesses that have legal obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. By continuing to work with reporting entities to ensure that effective compliance measures are adopted in a variety of business sectors, we are ensuring that there is better information available for analysis and a stronger deterrent to money laundering and terrorist financing within the Canadian financial system.

At FINTRAC, our success is measured by the quality of the financial intelligence we provide and the assistance we are able to offer to our partners. I am pleased to say that, by those measures, we are delivering valued products that are making a significant contribution to the public safety of Canadians and to the protection of the integrity of Canada's financial system.

Darlene Boileau
Acting Director

Section I: Organizational Overview

Raison d'être

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit (FIU). The Centre exists to assist in the detection, prevention and deterrence of money laundering and the financing of terrorist activities. FINTRAC's 'value-added' financial intelligence products and compliance functions are a unique contribution to the public safety of Canadians and to the protection of the integrity of Canada's financial system.

FINTRAC is an independent agency that operates at arm's length from the law enforcement agencies and other entities to which it is authorized to disclose financial intelligence. It reports to the Minister of Finance, who is in turn accountable to Parliament for the activities of the Centre. FINTRAC was established and operates within the ambit of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its regulations.

FINTRAC's Mission

To contribute to the public safety of Canadians and help protect the integrity of Canada's financial system through the detection and deterrence of money laundering and terrorist financing.

FINTRAC's Vision

To be recognized as a world class financial intelligence unit in the global fight against money laundering and terrorist financing.

Responsibilities

FINTRAC is one of several domestic partners in Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime, which also includes the Department of Finance as the policy lead, the Royal Canadian Mounted Police (RCMP), the Canadian Security Intelligence Service (CSIS), the Canada Revenue Agency (CRA), the Canada Border Services Agency (CBSA), the Office of the Superintendent of Financial Institutions (OSFI), the Public Prosecution Service of Canada, the Department of Justice, and Public Safety Canada. FINTRAC is also part of the Egmont Group, an international network of financial intelligence units that collaborate to combat money laundering and terrorist activity financing.

FINTRAC's role is to facilitate the detection, prevention and deterrence of money laundering, and terrorist activity financing by engaging in the following activities:

- **Receiving**, **collecting** and **analyzing information** on suspect financial activities;
- **Disclosing tactical financial intelligence** to the appropriate police service, CSIS, or other agencies designated by legislation;
- **Producing** and **disseminating strategic financial intelligence** to inform government partners and decision makers, as well as reporting entities about money laundering and terrorist financing trends, methods and issues;
- **Ensuring compliance** of reporting, record keeping and other obligations by those subject to the PCMLTFA; and
- **Enhancing public awareness** and understanding of matters related to money laundering.

FINTRAC's headquarters are located in Ottawa, with three regional offices in Montreal, Toronto and Vancouver having specific mandates related to compliance with the PCMLTFA.

Protecting Privacy

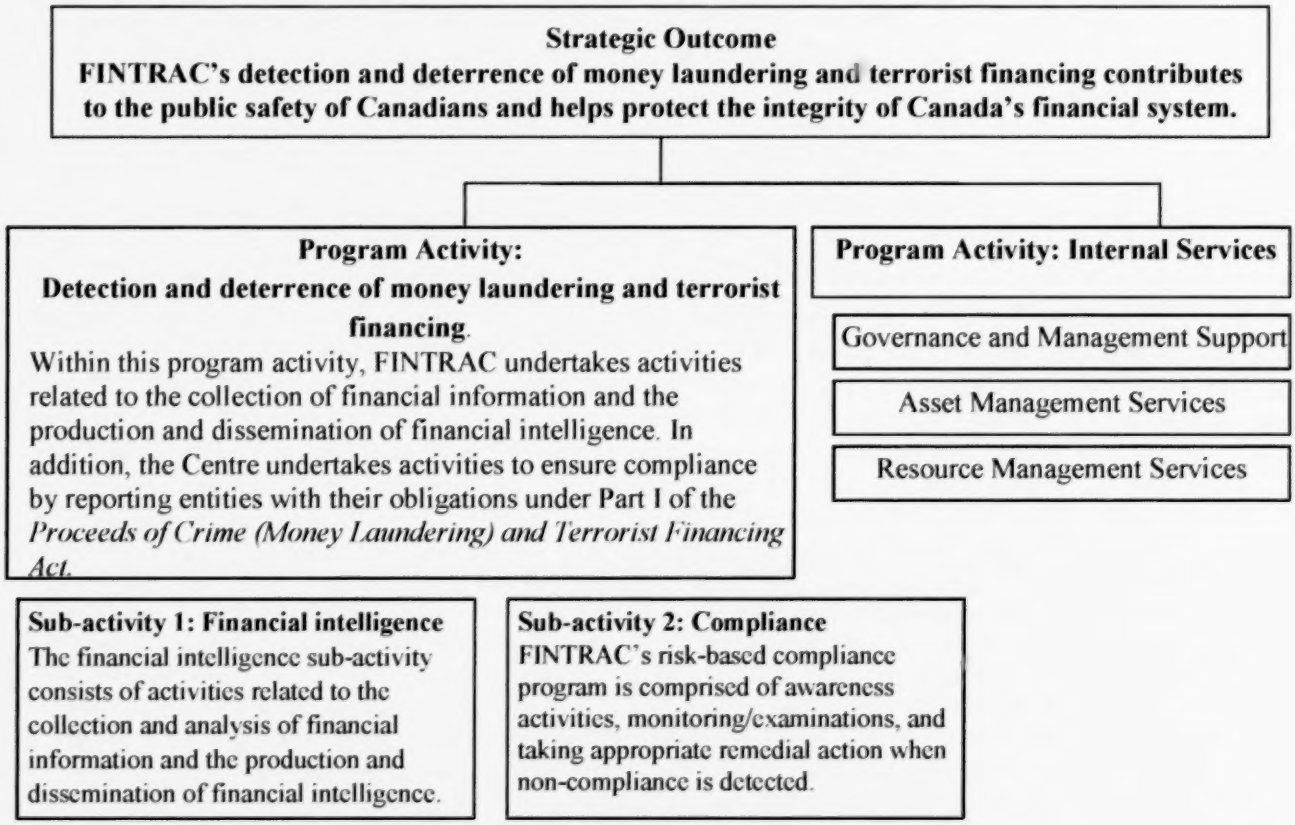
The protection of the personal information that FINTRAC has under its control is an integral part of the Centre's mandate. The PCMLTFA establishes stringent rules that govern both the management and disclosure of the personal information contained in the Centre's transaction reports and other records. All facets of FINTRAC's operations are subject to rigorous security measures that ensure the safeguarding of the Centre's physical premises and IT systems, and include the handling, storage and retention of all personal and other sensitive information under its control.

As required pursuant to the PCMLTFA, the Privacy Commissioner reviews FINTRAC's information protection measures every two years. The second review was initiated in 2011-12. FINTRAC looks forward to the final report, and to responding to any recommendations that will help to further strengthen the Centre's measures to protect information.

Strategic Outcome and Program Activity Architecture

FINTRAC's Strategic Outcome and Program Activity Architecture (PAA) are components of its Management Resources and Results Structure (MRRS), which forms part of the Whole-of-Government Framework for a common, government-wide approach to the collection, management, and reporting of financial and non-financial information.

In 2011-12, FINTRAC utilized the Strategic Outcome and PAA, shown in Figure 1, to effectively deliver on its responsibilities. The Centre also introduced a new MRRS structure consisting of a refined Strategic Outcome and two Program Activities that will be implemented in 2012-13. The Strategic Outcome and PAA have been updated to better reflect FINTRAC operations and to strengthen performance reporting.


Strategic Outcome
FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.
Program Activity:
Detection and deterrence of money laundering and terrorist financing.
Within this program activity, FINTRAC undertakes activities related to the collection of financial information and the production and dissemination of financial intelligence. In addition, the Centre undertakes activities to ensure compliance by reporting entities with their obligations under Part I of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.
Program Activity: Internal Services
Governance and Management Support
Asset Management Services
Resource Management Services
Sub-activity 1: Financial intelligence
The financial intelligence sub-activity consists of activities related to the collection and analysis of financial information and the production and dissemination of financial intelligence.
Sub-activity 2: Compliance
FINTRAC's risk-based compliance program is comprised of awareness activities, monitoring/examinations, and taking appropriate remedial action when non-compliance is detected.

Organizational Priorities

In its 2009-2012 Strategic Plan, FINTRAC established six Strategic Priorities to guide the management of resources toward achieving its Strategic Outcome. FINTRAC's performance with respect to achieving these Strategic Priorities during the 2011-12 fiscal year is summarized below.

Priority	Type	Strategic Outcome
Align our financial intelligence products more closely with our partners' needs and identify emerging money laundering and terrorist financing trends.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

- During the year, FINTRAC continued to make improvements to its mechanisms for defining, prioritizing and aligning with partners' intelligence requirements. Investigative and intelligence partners are now providing FINTRAC with information concerning their highest priority investigations, allowing the Centre to focus analytic resources on active investigations and other cases of high importance to our partners.
- FINTRAC also continued to work with its partners in the security and intelligence community to establish priorities for FINTRAC's classified and unclassified strategic financial intelligence assessments, briefs and reports. As a result, the strategic financial intelligence produced and disseminated by the Centre was often tailored to the needs of specific government policy and decision makers for information about key issues, methods, trends and case studies in money laundering and the financing of terrorism.

Priority	Type	Strategic Outcome
Refine our risk-based compliance program.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

- FINTRAC's compliance program ensures that the Centre receives the quality and quantity of financial information it needs to analyze and disclose on cases of suspected money laundering and terrorist financing. By working with reporting entities to assess the level of their compliance with PCMLTFA obligations, the Centre's compliance program also serves as a deterrent for those who would attempt to use Canada's financial systems for money laundering and terrorism financing purposes.
- The Centre continues to streamline and refine the tools and processes for monitoring and analyzing compliance among persons and entities covered under the Act. Specifically, FINTRAC made strategic investments and implemented customized information technology to move from

promotion of awareness that encourages compliance among reporting entities to one that employs a risk-based strategy with a suite of complementing compliance activities. These initiatives have resulted in more sophisticated risk assessment models that enhance FINTRAC's ability to assess the risk of non-compliance and to identify high risk reporting entities and sectors, thus enhancing the quality of financial intelligence.

Priority	Type	Strategic Outcome
Enhance collaboration with our partners and stakeholders.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

- FINTRAC continues to foster and strengthen its bilateral and multilateral relationships with international partners through: contributions to the development and delivery of multilateral technical assistance projects; participation in activities of key international organizations, such as the Financial Action Task Force (FATF) and the Egmont Group; and the signing of new MOUs and outreach visits to counterpart financial intelligence units.

- In 2011-12, FINTRAC continued to participate as a subject matter expert as part of the Canadian delegation to the Financial Action Task Force (FATF) led by the Department of Finance. The Centre's input ensured that Canadian interests were well represented in the drafting of the FATFs forty new recommendations for strengthening global anti-money laundering and anti-terrorist financing (AML/ATF) regimes and in the ongoing development of the compliance methodology for these new recommendations.

- FINTRAC also broadened its capacity to seek information from foreign FIUs by signing 7 new information-sharing MOUs, bringing the total number of MOUs with international partners to 80. FINTRAC will now be able to exchange tactical information about suspected money laundering and terrorist financing with the FIUs of the following countries: Fiji, Montenegro, Norway, South Africa, Sri Lanka, Turkey, and Turks and Caicos. FINTRAC also signed an MOU with Curacao's FIU as a replacement to the MOU that it had with the Netherlands Antilles (following the dissolution of the Netherlands Antilles in October 2010).

- Building on the success of the reporting entity workshops held in past years, FINTRAC hosted a roundtable in Vancouver entitled "Establishing the Links" which provided those on the front lines with feedback on how the information they provide to FINTRAC is utilized in the fight against money laundering and terrorist financing. At this year's event, FINTRAC and law enforcement partners promoted the value and usefulness of financial reports and, in particular highlighted the importance of suspicious transaction reporting in supporting investigations and prosecutions. During the year, FINTRAC also prepared to host a national workshop in Toronto which was expected to bring together over 100 representatives from all sectors covered under the PCMLTFA.

- FINTRAC also continues to foster and strengthen its relationships with domestic investigative and intelligence partners. During the year, the Centre successfully negotiated access to additional databases that will provide valuable new sources of information to inform the Centre's financial

intelligence products. It also participated in key committees of the Canadian Association of Chiefs of Police, such as the Counter Terrorism and National Security (CTNS) and Organized Crime Committees, and also in several Provincial Bureaus of the Criminal Intelligence Service (CISC).

Priority	Type	Strategic Outcome
Pursue policy and legislative opportunities to strengthen the AML/ATF Regime.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

- FINTRAC participated in inter-departmental and cross-government forums relating to public safety and national security, and developed strong relationships with its partners in support of legislative and other initiatives, such as the creation of a National Action Plan to Combat Human Trafficking, the development of Canada's Counter-terrorism Strategy and the furthering of commitments made in response to the recommendations of the Air India Inquiry.
- In December 2011, the Department of Finance released a consultation paper entitled "Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime." FINTRAC collaborated with the Department of Finance and other partners prior to the paper's publication and provided FINTRAC's unique perspective on ensuring compliance and producing financial intelligence.
- As part of the 5-year Parliamentary Review, FINTRAC appeared before the Senate Banking, Trade and Commerce Committee in support of their review of the PCMLTFA.

Priority	Type	Strategic Outcome
Be innovative in our approach to operational processes to maximize our efficiency and effectiveness.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

- FINTRAC continues to strengthen and enrich its information management and information technology services to improve productivity, deliver new business capabilities and meet legislative requirements. In the past year, the Centre completed a desktop modernization project providing employees with an upgraded desktop operating system, desktop productivity tools, and records management software. FINTRAC also made infrastructure and service upgrades to strengthen its ability to manage and analyse information within the Analytical and Compliance operating environments.
- In collaboration with the Canada Border Services Agency (CBSA), FINTRAC made improvements to the electronic report capture system and the paper-record tracking process used by CBSA to capture and submit Cross Border Currency Reports to FINTRAC.
- The Centre also completed a one-time project to remove certain older transaction reports from its

database (as required by the PCMLTFA as part of FINTRAC's privacy commitments). In the coming year, FINTRAC plans to automate aspects of the retention and disposition process for transaction reports to ensure that the Centre's information holdings remain compliant with privacy legislation.

Priority	Type	Strategic Outcome
Promote excellence in our workforce and strengthen our management and human resources framework.	Previously committed to	FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

- A sound human resource framework is fundamental to maintaining a working environment that fosters excellence. With this in mind, a major emphasis in 2011-12 was on strengthening people management policies and tools. The Centre established a People Management Framework, including a set of Leadership Competencies to be used across HR disciplines; it also established its first formalized staffing policy, outlining staffing values, expectations and practices. Implementation of a portfolio-based service delivery model further supported the new framework by providing FINTRAC's managers with Human Resources Portfolio Advisors who provide advice and assistance across a range of human resources matters, including staffing, employee relations, organization development and classification.
- FINTRAC employs a comprehensive array of measures to ensure efficiency and accountability in managing its financial and physical resources. Operational and expenditure plans are closely linked to performance goals that are in turn aligned with the Centre's overall strategic priorities. During the fiscal year, FINTRAC conducted a review of its internal controls and implemented a number of improvements to its corporate financial reporting including enhanced quarterly financial reports and future-oriented financial statements.

Risk Analysis

FINTRAC is committed to identifying and managing the risks inherent in the delivery of its programs and the achievement of its strategic outcome. As part of its risk management approach, the Centre integrates risk information into its key decision-making and planning activities by utilizing a Corporate Risk Profile (CRP). The CRP helps FINTRAC to identify both the internal and external risks and opportunities inherent to its operating environment. The CRP includes a detailed discussion of the likelihood and impact for each of the risks, risk rankings, risk responses/mitigation measures, and identifies who is responsible for monitoring and mitigating the risk from within the Centre.

In 2011, FINTRAC updated its Corporate Risk Profile as part of its annual planning process. This was the fourth CRP produced by FINTRAC since 2007. During the formal review process risks and opportunities were identified and rated that had the potential to impact the achievement of corporate and program outcomes. The top corporate risks and opportunities were then presented and approved by FINTRAC's Executive Committee and are regularly monitored to ensure implementation of mitigation measures when appropriate. The three top corporate risks from the CRP along with a risk summary and mitigation measures are outlined in the table below.

Key Risk	Risk Summary and Mitigation Measures	Program Activities
Protection of Information There is a potential risk that the information entrusted to FINTRAC may be improperly accessed, used and/or disclosed.	FINTRAC has access to sensitive financial information and is responsible for protecting its confidentiality. To ensure the continued protection of personal and other sensitive information, FINTRAC controls access and limits the use of information to the purpose for which it was collected. The principles for this protection of privacy are set by the PCMLTFA, and are upheld by the Centre's operational policies and security measures. FINTRAC's security and privacy measures apply to all aspects of its operations including how information is collected, used, stored, accessed and shared. No new system or program is implemented before possible risks to privacy are addressed. FINTRAC's premises have an integrated security program to prevent unauthorized access and information holdings are further protected by a multilayered security system.	• Detection and deterrence of money laundering and terrorist financing • Internal Services

	FINTRAC has a privacy framework and a Chief Privacy Officer, which is a member of the Centre's Executive Committee, to enhance privacy management. The Centre's information protection measures are also assessed by audits conducted every two years by the Office of the Privacy Commissioner.	
Compliance Program There is a risk that FINTRAC may not have a strong enough compliance program to assist in the detection, prevention and deterrence of money laundering, the financing of terrorist activities and other threats to the security of Canada.	The quality of FINTRAC's financial intelligence stems directly from the quality and quantity of the financial information received by the Centre from those with obligations under the PCMLTFA. Given the large number of entities and individuals that could be conducting financial transactions in the course of their activities, which fall within the ambit of the PCMLTFA and its associated regulations, FINTRAC utilizes a risk-based approach to enforce and enable reporting entities to comply with their legislative and regulatory obligations. The Centre employs a stratification framework to tailor its compliance activities in accordance with the risk of non-compliance by individuals and entities, thereby ensuring that the level of compliance activity undertaken is commensurate with the risk of non-compliance.	• Detection and deterrence of money laundering and terrorist financing
Emergency Planning and Business Continuity Plans There is a risk that FINTRAC emergency planning and Business Continuity Plans may not be robust enough to ensure continuous operation in the event of an incident.	Canada is not immune to terrorist events or to natural disasters such as fire, flooding or earthquakes. In the event that an incident does occur that impacts its normal operations, FINTRAC must be prepared to respond quickly and effectively. The Centre has, and will continue to develop and implement, strategies and action plans to help mitigate the impact of any incident, including finding a location for an alternate site to allow it to resume its operations in a reasonable amount of time. This will include maintaining an up-to-date Business Continuity Plan and enhancing its incident monitoring and response procedures.	• Detection and deterrence of money laundering and terrorist financing • Internal Services

Summary of Performance

2011–12 Financial Resources ($ millions)

Planned Spending	Total Authorities*	Actual Spending*
56.4	61.9	59.2
* Excludes amount of $2.7 million deemed appropriated to Shared Services Canada.		

2011–12 Human Resources (full-time equivalents [FTEs])

Planned	Actual	Difference
367	341	(26)

Summary of Performance Tables

Progress toward Strategic Outcome

Strategic Outcome: FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.		
Performance Indicators	**Targets**	**2011–12 Performance**
Number of case disclosures and strategic products that assist and/or are used in investigations and other actions by law enforcement, intelligence agencies and prosecutors.	Stable or increasing number of case disclosures used in investigations and other actions.	FINTRAC made a total of 796 case disclosures containing information suspected of being relevant to investigations of money laundering, terrorist financing and/or threats to the security of Canada. This represents a small increase over the 777 cases disclosed in 2010-11 and a continued substantial increase over the 579 cases disclosed in 2009-10. The Centre also continued to support partners and stakeholders by producing and disseminating classified and unclassified strategic financial intelligence assessments, briefs and other reports. Additionally, during the past year, FINTRAC conducted a study that examined trends in its case disclosures from 2007 to 2011 and one on trends in suspicious transaction reporting. These studies served to highlight the fundamental importance

		of financial intelligence to money laundering and terrorist financing investigations.
Degree of involvement of reporting entities and other entities with obligations in the Anti-Money Laundering / Anti-Terrorist Activity Financing (AML/ATF) Regime.	Increasing number of participants in FINTRAC's information sessions, the number of hits on the Web site, and the number of calls to the Call Centre	As part of its mandate, FINTRAC continues to ensure awareness with persons and entities of their legislative obligations, and to promote the critical role of reporting entities in the continuum for the detection and deterrence of money laundering and terrorist activity financing. FINTRAC's new compliance strategy has heightened awareness among reporting entities of their legislative obligations. In the past year, the Centre has responded to 450 policy interpretation requests and to 7,540 phone calls and e-mails, which represents an increase of 54.9% over the previous year.

Performance Summary, Excluding Internal Services

Program Activity	2010–11 Actual Spending	2011–12 ($ millions)				Alignment to Government of Canada Outcome
		Main Estimates[1]	Planned Spending	Total Authorities	Actual Spending	
Detection and deterrence of money laundering and terrorist financing	42.1	34.2	47.9	52.7	50.6	A Safe and Secure Canada
Total	42.1	34.2	47.9	52.7	50.6	

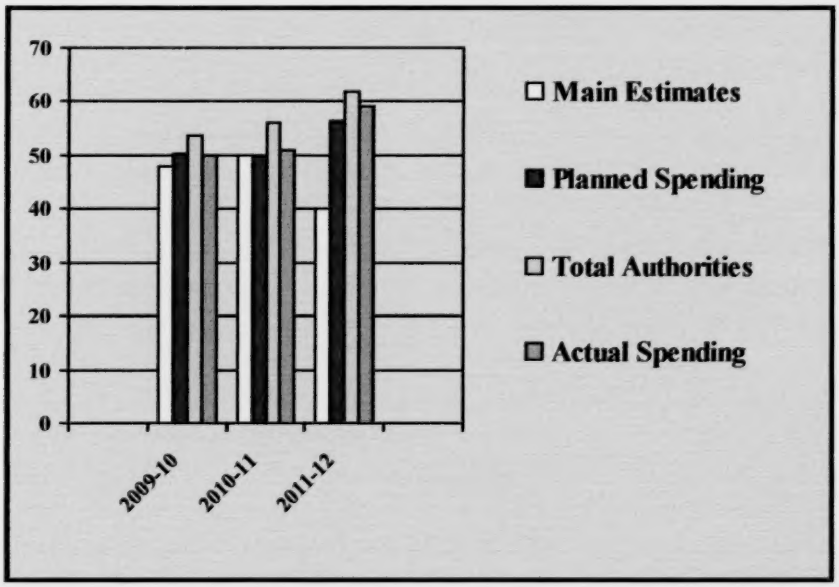
Performance Summary for Internal Services

Program Activity	2010–11 Actual Spending	2011–12 ($ millions)			
		Main Estimates	Planned Spending	Total Authorities*	Actual Spending*
Internal Services	8.8	6.0	8.5	9.3	8.6

* Excludes amount deemed appropriated to Shared Services Canada.

Expenditure Profile

($ millions)



In 2009-10, the total resources available for FINTRAC were $53.7M. This included an amount of $1.85M reprofiled from 2008-09 for the Business Continuity Plan's disaster recovery site ($1.25M) and for the contribution for the establishment of the Egmont Group Secretariat in Toronto ($0.6M). Actual Spending for 2009-10 was $49.9M, with a total of $1.3M being reprofiled into fiscal year 2010-11.

The total resources available for spending in 2010-11 were $56.2M, including the reprofiled resources from 2009-10 as noted above. With the additional funding received in Budget 2010, FINTRAC invested $3.5M in 2010-11 in technologies to enhance key business functions essential to ensure compliance with PCMLTFA, and additional capacity to meet responsibilities related to tax evasion becoming a predicate offence to money laundering. Actual spending for 2010-11 was $50.9M.

The total resources available for spending in 2011-12 were $61.9M. This included additional funding received in Budget 2010 for the purpose of enhancing key business functions essential to ensure compliance with PCMLTFA, and additional capacity to meet responsibilities related to tax evasion becoming a predicate offence to money laundering ($8M in 2011-12). FINTRAC also received additional authorities of $4.2M related to the immediate settlement of severance pay and termination benefits. Finally, FINTRAC transferred $2.7M in authorities to Shared

Services Canada. As a result, there was an increase in total authorities in 2011-12, of $5.7M over the previous year. Actual spending for 2011-12 was $59.2M.

Estimates by Vote

For information on FINTRAC's organizational Votes and/or statutory expenditures, please see the Public Accounts of Canada 2012 (Volume II). An electronic version of the Public Accounts 2012 is available on the Public Works and Government Services Canada's Web site.

Section II: Analysis of Program Activities by Strategic Outcome

Strategic Outcome

FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Program Activity: Detection and Deterrence of Money Laundering and Terrorist Financing

Program Activity Description

Within this program activity, FINTRAC undertakes activities related to the collection of financial information and the production and dissemination of financial intelligence. In addition, the Centre undertakes activities to ensure compliance by reporting entities with their obligations under Part I of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

2011–12 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
47.9	52.7	50.6

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
312	287	(25)

Program Activity Performance Summary

Expected Results	Performance Indicators	Targets	Actual Results
Law enforcement, intelligence agencies and prosecutors received timely and relevant tactical and strategic financial intelligence useful for further actions in investigations and other actions.	Satisfaction expressed by law enforcement and security agencies with the usefulness of case disclosures and strategic information products.	On feedback forms, recipients of information rate the information as useful and timely.	Of the disclosures initiated by voluntary information (VIRs): 78.8% were considered timely; 93.7% were considered relevant to an investigation; and 95.3% were considered

			useful. Of the disclosures produced proactively by FINTRAC: 79.3% were considered relevant to an investigation; and 94.0% were considered useful.[2]
Reporting entities are in compliance with the PCMLTFA and related regulations.	Level of compliance by reporting entities with the PCMLTFA.	High level of compliance.	Methodology to determine level of compliance is currently under review. Indicators and Methodology will be revised for 2012-13

Performance Summary and Analysis of Program Activity

In 2011-12 FINTRAC increased its production of case disclosures of financial intelligence. During the period, the Centre made 796 case disclosures, of which 637 were associated with money laundering, 116 with terrorist financing and other threats to the security of Canada, and 43 with associations to both money laundering and terrorist financing.

FINTRAC's disclosures are an important source of intelligence that assists in investigations of cases of suspected money laundering and terrorist financing. During the year, 64% of disclosures were initiated by voluntary information records (VIRs). VIRs are used by the Centre's investigative and intelligence partners to signal priority investigations where financial intelligence could make an important contribution. A total of 1,034 VIRs were received by the Centre during the 2011-12 fiscal year.

FINTRAC continues to receive positive feedback from law enforcement and security partners on the usefulness, relevance and timeliness of case disclosures. Increasingly, Police are providing the Centre with information concerning their highest priority investigations. This enables FINTRAC to assist in cases that are of the highest priority to its investigative partners and to be of greater assistance to their work.

A highlight this past year was the formal recognition by the Canadian Association of Chiefs of Police that FINTRAC's financial intelligence "should be made an integral part of all organized crime investigations." This endorsement is indicative of the role that FINTRAC has played in these types of cases in recent years. It also reinforces the important role of financial intelligence in certain types of complex investigations.

FINTRAC also continued to support partners and stakeholders in developing government policy and refining their anti-money laundering and anti-terrorist financing strategies by producing and

disseminating classified and unclassified strategic financial intelligence assessments, briefs and other reports. These documents, based on extensive reviews of case disclosures and reports, deal with sensitive issues, including specific risks and threats that may undermine the Canadian and international financial systems. Some of these products examined the financial activities of certain terrorist and criminal groups, and jurisdictions. Others assessed vulnerabilities posed by emerging technologies or new methods of money laundering.

During the year, the Centre produced three reports in FINTRAC's Typologies and Trends Report series. Two of the reports focussed on trends in suspicious transaction reporting and used FINTRAC's sophisticated text mining techniques to analyse the content of suspicious transaction reports. This analysis is expected to assist reporting entities by informing their risk assessments to more easily recognize suspicious transactions.

The third Typologies and Trends report examined trends in FINTRAC's case disclosures from 2007 to 2011. This report offered the public an unprecedented view into the content of FINTRAC's case disclosures and highlighted the vital role played by financial intelligence in tracking existing and emerging methods used in money laundering and terrorist financing. It also underscored the value of FINTRAC's financial intelligence to law enforcement and intelligence investigations.

In the area of compliance, FINTRAC employed tailored activities, informed by risk assessments, conducted in all sectors to ensure general compliance and to maximize sector coverage. While FINTRAC uses a suite of compliance assessment and enforcement activities, examinations (desk and on-site) still remain the primary method by which FINTRAC ensures those who are covered under the PCMLTFA are complying with their obligations. Where non-compliance was detected, appropriate and measured action was undertaken.

In 2011-12, FINTRAC completed 1,069 compliance examinations (both on-site and desk). This was a 56% increase from 684 examinations completed in 2010-11. This significant increase was due, in large part, to both the recruitment of additional resources to meet Budget 2010 commitments and to the implementation of a new risk-based compliance strategy. During the year, the Centre also requested 6,026 compliance assessment reports from reporting entities across several sectors. These reports were used to provide a preliminary assessment of reporting entity compliance with their legislative obligations.

The Administrative Monetary Penalties (AMP) program continued to encourage change in non-compliant behaviour. In its third year of implementation, an additional three reporting entities were publicly named on the FINTRAC Web site, after having been issued a Notice of Violation, bringing the total number to 19 listed names. In addition, four Non-Compliance Disclosures

(NCDs) was submitted to law enforcement during the year, bringing the total number to 39 NCDs issued to date.

FINTRAC's MSB registry continued to allow the public the opportunity to search for publicly available information about MSBs. During the year, 214 MSBs registered with FINTRAC as per their legal obligation, and 182 renewed their registration as per their legal obligations. As of March 31, 2012 the total number of registered money services businesses was 890.

Lessons Learned – Promoting Compliance

FINTRAC undertakes compliance activities that seek to both promote and assess compliance with the law by reporting entities and to detect and deter non-compliance. This has the effect of improving the quality and quantity of reports received by FINTRAC, and also has a strong deterrent effect, as it makes it more difficult for those who would launder money or seek to raise funds for terrorist activity to carry out their illicit activities unnoticed and in anonymity. Compliance activities also seek to ensure records relating to clients and transactions will be available to support investigations by law enforcement.

FINTRAC's reporting entities are set out in the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). The PCMLTFA covers a variety of business sectors, ranging from Canada's largest banks to small, independent money transfer businesses and currency exchanges, called Money Services Businesses (MSBs). Each business sector has unique characteristics and FINTRAC utilizes a tailored approach of promotion and enforcement activities based on risk to assess the level of compliance of each sector. An important aspect of compliance promotion is to ensure that these reporting entities are aware of their legal obligations under the PCMLTFA and the value and usefulness of quality reports they send to FINTRAC.

During 2011-12 fiscal year, FINTRAC undertook a usability study to examine the information that is provided to reporting entities to guide them in meeting their legal obligations. One of the conclusions from the study was that the guidance provided by FINTRAC should be sector-specific and, moreover, French and English are quite often not the language in which MSBs operate.

Based on this study, FINTRAC has begun to revise all the guidance that it provides to the MSB sector in order to make it more accessible and useful. FINTRAC has also developed and published a pamphlet that explains the legal obligations of MSBs in eight languages (Arabic, Chinese, Farsi, Punjabi, Spanish and Vietnamese, as well as French and English) to better communicate with this important business sector.

By working to improve the content and usability of the tools and guidance available, FINTRAC is ensuring that reporting entities both large and small have clear and consistent information available to assist them in complying with their anti-money laundering and anti-terrorist financing obligations.

Strategic Outcome

FINTRAC's detection and deterrence of money laundering and terrorist financing contributes to the public safety of Canadians and helps protect the integrity of Canada's financial system.

Program Activity: Internal Services

Program Activity Description

Under the internal services program activity are services that support the function of the organization and act as enablers for the organization's other program activity. Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services[3]; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

2011–12 Financial Resources ($millions)

Planned Spending	Total Authorities*	Actual Spending*
8.5	9.3	8.6
* Excludes amount deemed appropriated to Shared Services Canada		

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
55	54	(1)

Performance Summary and Analysis of Program Activity

During 2011-12, FINTRAC had a number of key achievements within the program activity of internal services that will enable the Centre to continue to manage its resources effectively and securely.

Wide-scale training for both managers and employees was initiated across the Human Resources spectrum to promote understanding of HR approaches and expectations. From an operational perspective, continued success was achieved with respect to student employment. With year-

round student appointments as well as bridging of students into regular positions, the Centre continued to demonstrate its awareness of the value of this staffing investment. Nearly 93% of FINTRAC employees participated in the 2011 Public Service Employee Survey, with results that exceeded public service scores on most questions and reflected progress in all areas of focus since the last survey in 2008.

In 2011-12, the Centre also carried out an agency-wide investment planning process, ensuring that scarce resources were allocated to investments that yielded the greatest value to the organization. Additionally, FINTRAC undertook an Organizational Project Management Capacity Assessment.

In view of the highly sensitive nature of the information that is handled by FINTRAC, the Centre conducted cyclical and targeted physical security assessments, as well as on-going security evaluations of its information technology systems. Additionally, the organization strengthened organizational security through mandatory security interviews and briefings for all FINTRAC employees, to ensure that employees were aware of their obligations and the consequences of failing to meet them. In 2012-13, FINTRAC will introduce additional training to further strengthen employee security awareness and to address the broader risks identified in the Corporate Risk Profile.

FINTRAC also continued to address its space requirements (necessitated by additional FTEs to fulfill the organization's mandate from Budget 2010). During the fiscal year, the Centre acquired additional temporary space to house staff until permanent space becomes available at its headquarters location in 2013.

Changes to Government Structure

Order in Council P.C. 2011-0881 established Shared Services Canada as a department, effective August 4, 2011. Subsequent Orders in Council P.C. 2011-0877 and P.C. 2011-1297 transferred the control and supervision of certain portions of the federal public administration related to information technology infrastructures services.

Impacts on Financial and Human Resources Resulting from the Establishment of Shared Services Canada

2011-12 Financial Resources ($ millions)

	Planned Spending	Total Authorities*
Net transfer post Orders in Council (OIC)** to Shared Services Canada (SSC)	56.4	2.7

* Pursuant to section 31.1 of the *Financial Administration Act* and Orders in Council P.C. 2011-0881, P.C. 2011-0877 and P.C. 2011-1297, $2,651,522 was deemed to have been appropriated to SSC, which resulted in a reduction in the appropriation for FINTRAC.

** Total authorities, as presented in the "2011-12 Financial Resources" table (and other relevant tables) in the "Summary of Performance" section, is net of any transfers to SSC. Actual spending does not include expenditures incurred on behalf of SSC as of the OIC date.

2011-12 Human Resources (FTEs)

	Planned	Actual
Deemed to SSC	367	22

Section III: Supplementary Information

Financial Highlights

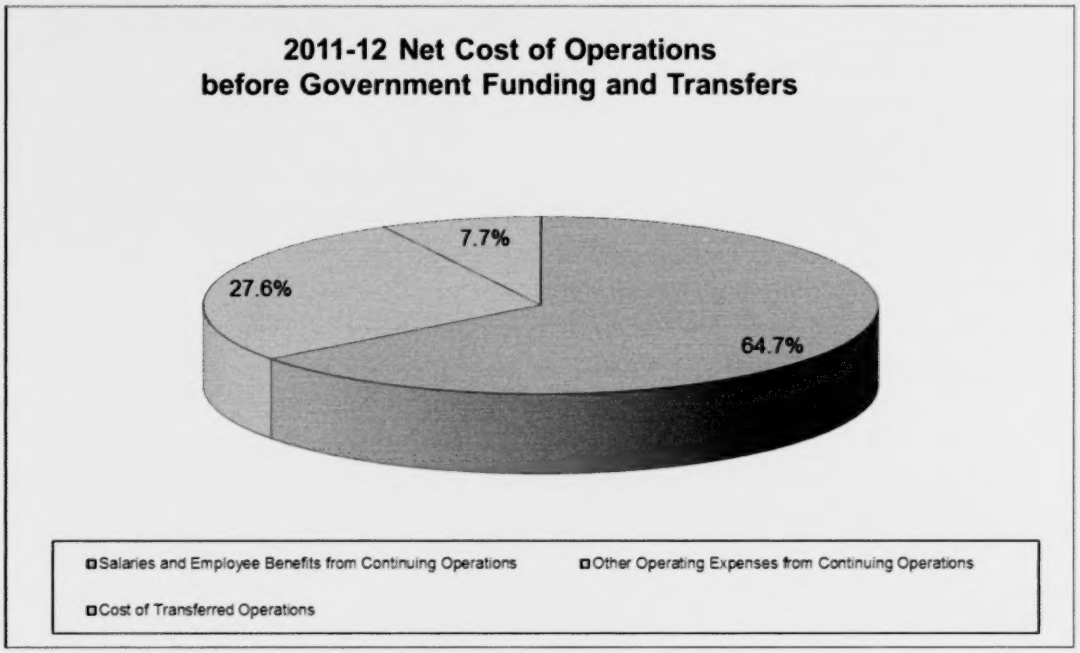
Condensed Statement of Financial Position (Audited)
As at March 31, 2012
($ Thousands)

	Change %	2011–12	2010–11
Total net liabilities[4]	-10%	10,465	11,643
Total net financial assets[5]	33%	7,144	5,358
Departmental net debt	-47%	3,321	6,285
Total non-financial assets[6]	-50%	7,776	15,597
Departmental net financial position	-52%	4,455	9,313

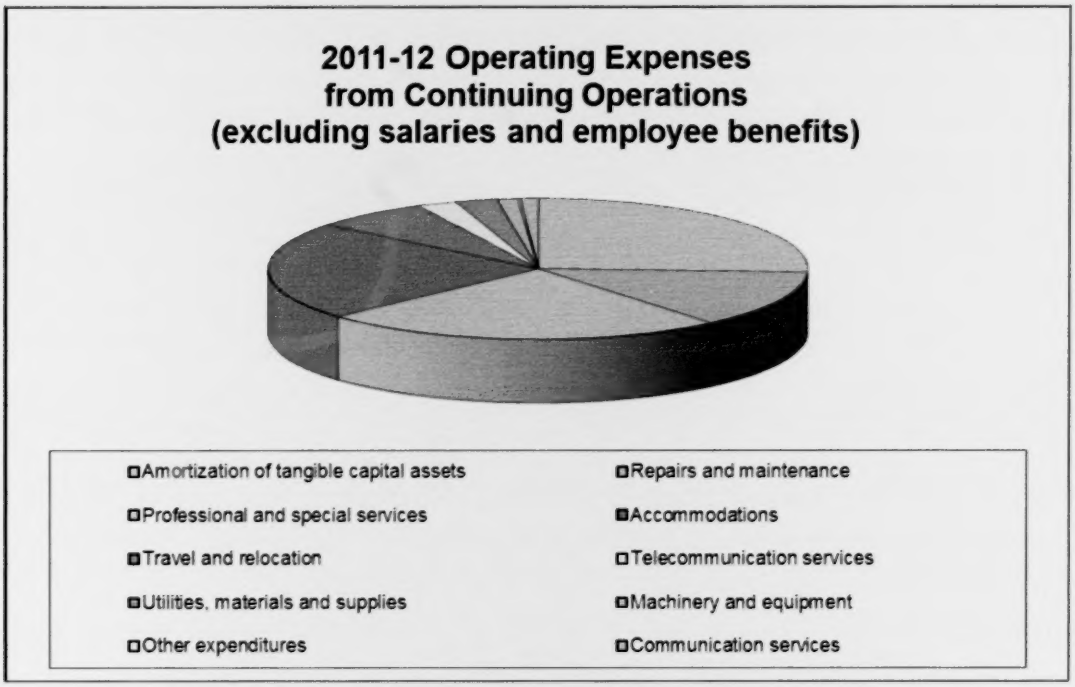
Condensed Statement of Operations and Departmental Net Financial Position (Audited)
For the Year Ended March 31, 2012
($ Thousands)

	Change %	2011–12	2010–11
Total expenses[7]	14%	62,811	55,158
Total revenues	N/A	-	-
Net cost of operations before government funding and transfers	14%	62,811	55,158
Departmental net financial position	-52%	4,455	9,313

Financial Highlights—Charts and Graphs



The net cost of operations before government funding and transfers for the 2011-12 fiscal year was $62.8M, an increase of 13.9% over the previous year's $55.2M. Salaries and employee benefits from continuing operations, in the amount of $40.6M, represent the largest portion with 64.7%. Other operating expenses from continuing operations, in the amount of $17.3M represent 27.6%. These are detailed in the chart entitled "2011-12 Operating Expenses from Continuing Operations (excluding salaries and employee benefits)" on the following page. Cost of transferred operations, related to transactions for IT services transferred to SSC which were incurred from April 1 to November 14, 2011, was $4.8M and represents 7.7%. (Transactions incurred from November 15, 2011 to March 31, 2012 were recorded against SSC's appropriation.)



Operating expenses from continuing operations, excluding salaries and employee benefits, totalled $17.3M in fiscal year 2011-12. The largest share of expenses were amortization of tangible capital assets ($4.5M), professional and special services ($4.2M), accommodations ($3.9M), and repair and maintenance ($2.3M). Other significant costs were travel and relocation, telecommunication services, utilities, material and supplies, machinery and equipment, communication services and other expenditures.

Financial Statements

The financial highlights presented within the Departmental Performance Report are intended to serve as a general overview of the Centre's financial position. More information is available on FINTRAC's Web site.[8]

List of Supplementary Information Tables

Electronic supplementary information tables listed in the 2011-12 Departmental Performance Report can be found on FINTRAC's Web site.[9]

- Greening Government Operations
- Horizontal Initiatives
- Internal Audits and Evaluations
- Sources of Respendable and Non-Respendable Revenue

Section IV: Other Items of Interest

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Endnotes

[1] The reinstatement of ongoing FINTRAC funding of $16.2M was contingent upon the approval of the 10 year evaluation of the AML/AFT Regime. The $16.2M has not been included in the figures above since the funding was received through Supplementary Estimates (A).

[2] The data set represents approximately 25% of FINTRAC's total tactical outputs – FINTRAC's approximate current response rate of Disclosure Feedback Forms DFFs. Feedback statistics were generated from feedback forms RECEIVED during 2011-12 and may pertain to disclosures sent prior to the fiscal year. Feedback statistics also include input provided by FINTRAC's partner Financial Intelligence Units internationally; and pertain to all feedback forms received regardless of the related predicate offense.

[3] Internal Services figures include only the portion of IT services dedicated to organization-wide activities. Program-specific IT costs are included in the figures for the "Detection and Deterrence of Money Laundering and Terrorist Financing" program activity.

[4] The decrease in net liabilities is partly due to new actuarial estimates for the employee future benefits liability following the cash-out and settlement of these benefits in 2011-12. Furthermore, there were increased amounts of accounts payable and contingent liabilities at year-end over previous years.

[5] The increase in total net financial assets is mainly caused by a payable at year-end (PAYE) adjustment for employee benefit plans (EBP) charged to FINTRAC's authorities but not yet disbursed through the Consolidated Revenue Fund (CRF).

[6] The decrease in non-financial assets is mainly due to the transfer of capital assets with a net book value (NBV) of $5.8M to SSC and the slower rate of new capital asset acquisitions in 2011-12.

[7] The increase in total expenses is primarily due to increased personnel hired and salary expenditures in 2011-12.

[8] More information on FINTRAC's Financial Statements may be found at http://www.fintrac-canafe.gc.ca/publications/reports-rapports-eng.asp#s4.

[9] Supplementary Information Tables may be found at http://www.fintrac-canafe.gc.ca/publications/reports-rapports-eng.asp#s4.